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ECONOMIC UPDATE ANNOUNCES CONTINUED BUDGETARY SURPLUSES AND FURTHER DEBT REDUCTION

Prudent fiscal planning has ensured that the federal government can continue to deliver budgetary surpluses, provide promised tax cuts and honour all its investments despite the recent economic downturn, Finance Minister Paul Martin said today in his Economic Update to the House of Commons Standing Committee on Finance.

"This is the payoff of a prudent planning approach," said Minister Martin. "It means the \$100 billion in tax cuts announced in the February 2000 budget and in the October *Economic Statement and Budget Update* is protected. It means the Health Accord reached by the first ministers last September is protected. And it means all our commitments will be protected."

Using the average of private sector economic forecasts of 2.4 per cent gross domestic product growth this year, revised down from the 3.5 per cent average in the October 2000 Statement, the Government projects a budgetary balance of \$7.2 billion for 2001-02 and \$7.3 billion for 2002-03.

Even allowing for the most pessimistic of private sector economic forecasts, the Minister said the Government's balanced budget or better targets for this year and next are protected.

The Minister also told the committee that he expects the surplus for 2000-01 to be at least \$5 billion more than forecast, enabling the Government to pay down at least \$15 billion of debt instead of the projected \$10 billion.

"This means that we will have retired more than \$33 billion of debt – \$27 billion in the last two years alone – saving Canadians close to \$2 billion a year in interest payments, year in and year out, money that can be used for other priorities such as health care and education," Minister Martin said.

The Minister said that although the Canadian economy has felt the effects of weaker growth in the United States, growth in Canada will continue, in part, because of \$24 billion in stimulus due to tax cuts and focused spending. However, he added that the uncertain economic outlook means the Government will remain vigilant.



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“We have always believed it is better to prepare for rain, even in the sunniest of forecasts,” Minister Martin emphasized. “Now that clouds have appeared, Canada has not been caught off guard.”

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